

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN  
HOUGHTON COUNTY**

**FINANCIAL REPORT**  
Year ended December 31, 2005

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Calumet	County Houghton
Fiscal Year End 12/31/05	Opinion Date 07/07/06	Date Audit Report Submitted to State 07/20/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

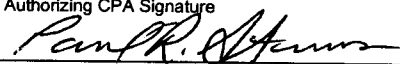
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Paul R. Sturos, CPA		Telephone Number (906) 337-4727	
Street Address 56901 S. Sixth St., Ste. 8		City Calumet	State MI
Zip 49913			
Authorizing CPA Signature 	Printed Name Paul R. Sturos	License Number 1101022268	

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## INDEPENDENT AUDITOR'S REPORT

Board Members  
Charter Township of Calumet, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan, as of December 31, 2005, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 7, 2006 on my consideration of the Township's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 33 through 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Calumet, Michigan's, basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Paul R. Sturos, CPA  
Calumet, Michigan  
July 7, 2006

## CHARTER TOWNSHIP OF CALUMET

25880 Red Jacket Road

Calumet, MI 49913

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Charter Township of Calumet's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Township's financial statements that follow.

#### USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). GASB 34 implements a model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report. The Charter Township of Calumet is in its third year of the provisions of GASB 34.

#### Report Components

This annual report consists of five parts as follows:

*Government-wide Financial Statements:* The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township government-wide (or "as a whole") and present a longer-term view of the Township's finances.

*Fund Financial Statements:* Fund financial statements focus on the individual parts of the Township government. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Township operates like businesses, such as the sewage service. For *fiduciary activities* these statements account for assets held by the Township as an agent or trustee for others and includes the Property Tax Collection Fund.

*Notes to Financial Statements:* The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

*Required Supplementary Information:* This Management Discussion and Analysis and the Budgetary Comparison Schedules represent financial information required to be presented by the GASB. Such information provides users with additional data that supplements the "basic financial statements" which include the government-wide statements, fund financial statements, and notes to the financial statements.

*Other Supplementary Information:* This part of the annual report includes optional financial information such as combining statements for non-major funds, which are added together and shown in the fund financial statements in a single column and a federal program section. This other supplemental financial information is provided to address certain specific needs of various users of the Township's annual report.

## **THE TOWNSHIP AS A WHOLE**

### **The Township's Reporting Entity Presentation**

This annual report includes all activities for which the Township is fiscally responsible. These activities, defined as the Township's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entity:

- The Charter Township of Calumet

The component unit presentation includes the following legal entity:

- The Charter Township of Calumet Downtown Development Authority

### **Government-Wide Financial Information**

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities. These statements include all of the Township's assets and liabilities resulting from the use of the accrual basis of accounting.

The Statement of Net Assets and the Statement of Activities is divided into three kinds of activities:

*Governmental activities* – Most of the Township's basic services are reported here, including the police, fire, general administration, public works and recreation. Property taxes, state statutory aid and state and federal grants finance most of these activities.

*Business-type activities* – The Township charges a fee to customers in the Wolverine-Kearsarge area to help it cover all or most of the cost of sewage services it provides.

*Component unit activities* – Although the Downtown Development Authority is a separate legal entity, the Township includes its activities in its financial statements since the Township is financially accountable for the Authority.

In a condensed format, the table below provides a summary of the Township's *net assets* (in thousands of dollars) as of December 31, 2005 and 2004.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current assets	\$ 644.2	\$ 523.1	\$ 13.9	\$ 17.7	\$ 658.1	\$ 540.8
Noncurrent assets	<u>4,278.4</u>	<u>3,803.7</u>	<u>2,099.4</u>	<u>2,154.3</u>	<u>6,377.8</u>	<u>5,958.0</u>
Total Assets	<u>4,922.6</u>	<u>4,326.8</u>	<u>2,113.3</u>	<u>2,172.0</u>	<u>7,035.9</u>	<u>6,498.8</u>
Current liabilities	322.7	169.8	4.2	3.6	326.9	173.4
Other liabilities	<u>531.4</u>	<u>954.3</u>	<u>120.0</u>	<u>122.0</u>	<u>651.4</u>	<u>1,076.3</u>
Total Liabilities	<u>854.1</u>	<u>1,124.1</u>	<u>124.2</u>	<u>125.6</u>	<u>978.3</u>	<u>1,249.7</u>
Net Assets						
Invested in capital assets-net of debt	3,981.8	3,272.9	1,980.9	2,033.8	5,962.7	5,306.7
Restricted	8.1	15.4	7.9	7.9	16.0	23.3
Unrestricted(Deficit)	<u>78.6</u>	<u>(85.6)</u>	<u>.3</u>	<u>4.7</u>	<u>78.9</u>	<u>(80.9)</u>
Total Net Assets	<u>\$ 4,068.5</u>	<u>\$ 3,202.7</u>	<u>\$ 1,989.1</u>	<u>\$ 2,046.4</u>	<u>\$ 6,057.6</u>	<u>\$ 5,249.1</u>

The Township's net assets increased from \$5,249,091 to \$6,057,630, an increase of \$808,539.

The current level of unrestricted net assets (the part of net assets that can be used to finance day to day operations) for the governmental activities stands at \$78,920, which is within the targeted range for unrestricted net assets of approximately 10% of applicable annual expenses.

The results of operations for the Township as a whole are reported in the *statement of activities*. Comparative data is accumulated and presented to assist analysis. The following shows the change in the net assets (in thousands of dollars) for 2005 and 2004:

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Program Revenues						
Charges for services	\$ 157.5	\$ 148.3	\$ 29.4	\$ 31.4	\$ 186.9	\$ 179.7
Operating grants and contributions	37.2	60.8			37.2	60.8
Capital grants and contributions	404.4	630.5			404.4	630.5
General Revenues						
Property taxes	212.6	201.3			212.6	201.3
State-shared revenues	273.9	271.8			273.9	271.8
Unrestricted investment earnings	2.5	3.4	.1	.1	2.6	3.5
Miscellaneous	12.3	9.1			12.3	9.1
Gain on sale of assets		24.2				24.2



Loss on sale of assets	(28.5)			(28.5)	
Transfers with component unit	9.2	4.2		9.2	4.2
Extraordinary item	<u>450.0</u>	<u>37.2</u>		<u>450.0</u>	<u>37.2</u>
Total Revenues	<u>1,531.1</u>	<u>1,390.8</u>	<u>29.5</u>	<u>31.5</u>	<u>1,560.6</u>
Program Expenses					
Legislative	21.1	24.3		21.1	24.3
General Government	164.3	179.3		164.3	179.3
Public Safety	128.4	119.7		128.4	119.7
Public Works	104.1	103.2		104.1	103.2
Recreation	50.1	51.5		50.1	51.5
Community/Historical	227.6	541.7		227.6	541.7
Other	95.6	99.4		95.6	99.4
Interest on long-term debt	31.0	36.7		31.0	36.7
Sewage			<u>86.8</u>	<u>80.4</u>	<u>86.8</u>
Total Expenses	<u>822.2</u>	<u>1,155.8</u>	<u>86.8</u>	<u>80.4</u>	<u>909.0</u>
Changes in Net Assets	<u>\$ 708.9</u>	<u>\$ 235.0</u>	<u>\$ (57.3)</u>	<u>\$ (48.9)</u>	<u>\$ 651.6</u>
					<u>\$ 186.1</u>

During the current year the Township's governmental activities realized additional revenues in the area of property taxes of \$11,348 and charges for services (rents) of \$14,488 for police tower rental. The extraordinary income item relates to the transfer to the Township of the "old" state police building and the Calumet Armory Community Building by the State of Michigan for a value of \$450,000. Other changes to revenues and expenses occurred in the area of capital grant program revenue for community and historical projects along with related expenses.

The Township's business-type activity consists of the Wolverine/Kearsarge Sewage Fund. The Township provides sewage treatment services to approximately 150 Township residents living in the Wolverine-Kearsarge area. Rates were increased in March of 2005 in an effort to reduce losses.

The discretely presented component unit consists of the Downtown Development Authority (DDA) Fund which recaptures property taxes within the Authority's District. Most of the recaptured taxes collected go towards paying the debt service costs related to previous DDA projects.

## THE TOWNSHIP'S FUNDS

The Township's major funds follow the entity-wide financial statements as presented. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The General Fund along with the Community Center Fund, Grants Fund, Housing Grants Fund, Community Center Capital Project Fund, DDA Fund (discretely presented component unit) and Sewage Fund are the Township's major funds for 2005.

The General Fund pays for most of the Township's governmental services. The most significant are for general government and capital outlay activities which incurred expenditures of \$125,065 and

\$517,017, respectively during 2005. The capital outlay amount includes \$450,000 related to the transfer from the State of Michigan of the "old" state police building and the Calumet Armory Community Center facility. The "Calumet Armory" Community Center Fund collects property taxes to operate, maintain and repair the Community Center. Besides operating costs the fund incurred \$28,309 of capital outlay improvements in 2005. The Grants Fund, Housing Grants Fund and Community Center Capital Project Fund all received grants and loans for Township and community projects during 2005.

### **General Fund and Community Center Budgetary Highlights**

Over the course of the year, the Township Board amended the General Fund and Community Center Fund budgets to take into account events during the year. The most significant changes in the General Fund were to increase state aid revenue for property donations to the Township from the State of Michigan by \$430,500 and to increase transfers to other funds by \$162,600 for anticipated capital outlay expenditures. With the exception of an increase in capital outlay expenditures of \$553,160 due primarily to the State of Michigan property transfers noted above, the Township did not significantly change originally budgeted General Fund expenditure amounts. For the most part, the actual General Fund expenditures stayed within budgeted amounts. Total Community Center Fund revenue and expenditure budget changes of \$153,500 and \$113,581, respectively resulted from anticipated additional revenues and capital outlay expenditures that were actually reflected in the Community Center Capital Projects Fund.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2005, the Township had \$7.9 million invested in a broad range of capital assets, including land, buildings, mining and other equipment, vehicles and a sewage system. This year's more significant additions included \$689,439 for buildings and improvements including \$410,000 for the Calumet Armory Community Center and \$84,610 for fire equipment. The table below provides a summary of the Township's capital assets net of accumulated depreciation (in thousands of dollars) as of December 31, 2005 and 2004. Net amounts increased by 14% overall.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Non-Depreciable Assets:						
Land	\$ 1,244.3	\$ 1,244.3	\$ 19.9	\$ 19.9	\$ 1,264.2	\$ 1,264.2
Depreciable Assets:						
Land improvements	71.0	64.1			71.0	64.1
Buildings	1,805.4	1,030.0			1,805.4	1,030.0
Furniture, equipment, and vehicles	1,131.8	1,078.7			1,131.8	1,078.7
Sewage system			2,083.0	2,137.9	2,083.0	2,137.9
Total	<u>\$ 4,252.5</u>	<u>\$ 3,417.1</u>	<u>\$ 2,102.9</u>	<u>\$ 2,157.8</u>	<u>\$ 6,355.4</u>	<u>\$ 5,574.9</u>

## Long-term Debt

At year end, the Township had \$893,687 in long-term debt outstanding, including component unit debt of \$171,000. Primary government balances as of December 31, 2005 and 2004 are as follows:

	Primary Government					
	Governmental Activities		Business-Type Activities		Totals	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Notes/loans payable	\$ 114,987	\$ 144,286	\$	\$	\$ 114,987	\$ 144,286
Bonds payable	<u>485,700</u>	<u>525,145</u>	<u>122,000</u>	<u>124,000</u>	<u>607,700</u>	<u>649,145</u>
	<u>\$ 600,687</u>	<u>\$ 669,431</u>	<u>\$ 122,000</u>	<u>\$ 124,000</u>	<u>\$ 722,687</u>	<u>\$ 793,431</u>

## FACTORS AFFECTING FUTURE OPERATIONS

For the year 2006, the various governmental and component unit funds have been budgeted fairly consistent with this year.

Phase II of the Calumet Armory Community Center improvement project is expected to begin in 2006 and will include grant monies of \$85,000 and a local match of \$40,000 for a total project cost of \$125,000.

In order to cover projected future operating and debt service costs, the Township increased Wolverine/Kearsarge Fund sewer rates on 12/31/05 from \$4.35 per 1,000 gallons of billable flow to \$4.70 for the commodity charge and administrative charges from \$3 per user per month to \$4.50 and the minimum charge of \$8 per user per month to \$10.00. In addition, the Township is scheduled to transfer the assets and related debt of the Wolverine/Kearsarge Fund to the North Houghton County Water and Sewage Authority during 2006.

## CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, please contact the clerk's office.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Statement of Net Assets December 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	\$ 237,431	\$ 4,423	\$ 241,854	\$ 17,421
Receivables, net	235,147	9,513	244,660	38,950
Receivables from other governments	171,618		171,618	
Internal balances	13,321	(12,700)	621	(621)
Restricted assets		9,175	9,175	
Bond issue related costs, net	12,647		12,647	
Capital assets, net	<u>4,252,462</u>	<u>2,102,878</u>	<u>6,355,340</u>	
Total Assets	<u>4,922,626</u>	<u>2,113,289</u>	<u>7,035,915</u>	<u>55,750</u>
<b>LIABILITIES</b>				
Accounts payable	170,883	938	171,821	2,041
Accrued liabilities	5,333	1,212	6,545	2,482
Due to other governments	32,465		32,465	570
Deferred revenues	44,767		44,767	
Noncurrent liabilities				
Due within one year	69,298	2,000	71,298	25,000
Due in more than one year	<u>531,389</u>	<u>120,000</u>	<u>651,389</u>	<u>146,000</u>
Total Liabilities	<u>854,135</u>	<u>124,150</u>	<u>978,285</u>	<u>176,093</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,981,746	1,980,878	5,962,624	
Restricted for debt service	5,426	7,963	13,389	3,578
Restricted for comm./hist. projects	2,697		2,697	
Unrestricted	<u>78,622</u>	<u>298</u>	<u>78,920</u>	<u>(123,921)</u>
Total Net Assets	<u>\$ 4,068,491</u>	<u>\$ 1,989,139</u>	<u>\$ 6,057,630</u>	<u>\$ (120,343)</u>

The accompanying notes are an integral part of the financial statements.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Statement of Activities Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net(Expenses) Revenue & Changes in Net Assets			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	Governmental	Business-Type	Component Unit
					Activities	Activities	Total	
<b>Primary Government</b>								
Legislative	\$ 21,112	\$	\$	\$	\$ (21,112)	\$	\$ (21,112)	\$
General Government	164,243	18,798	5,738		(139,707)		(139,707)	
Public Safety	128,414	16,588		81,600	(30,226)		(30,226)	
Public Works	104,079	72,645			(31,434)		(31,434)	
Recreation	50,114	30,456	5,000	42,000	27,342		27,342	
Community/Historical	227,609	19,050	26,434	280,842	98,717		98,717	
Other	95,636				(95,636)		(95,636)	
Interest on Long-term Debt	30,962				(30,962)		(30,962)	
<b>Total Governmental Activities</b>	<b>822,169</b>	<b>157,537</b>	<b>37,172</b>	<b>404,442</b>	<b>(223,018)</b>		<b>(223,018)</b>	
<b>Business-Type Activities</b>								
Sewage	86,843	29,448				(57,395)	(57,395)	
<b>Total Primary Government</b>	<b>\$ 909,012</b>	<b>\$ 186,985</b>	<b>\$ 37,172</b>	<b>\$ 404,442</b>	<b>(223,018)</b>	<b>(57,395)</b>	<b>(280,413)</b>	
<b>Component Unit</b>								
Downtown Dev. Authority	\$ 19,442	\$	\$	\$				(19,442)
<b>General Revenue</b>								
Property taxes					212,606		212,606	45,711
State-shared revenue					273,882		273,882	
Unrestricted investment earnings					2,457	113	2,570	153
Miscellaneous					12,280		12,280	
Transfers with component unit					9,200		9,200	(9,200)
<b>Loss on sale of assets</b>					(28,501)		(28,501)	
<b>Total General Revenue and loss on sale of assets</b>					<b>481,924</b>	<b>113</b>	<b>482,037</b>	<b>36,664</b>
<b>Extraordinary item</b>					<b>450,000</b>		<b>450,000</b>	
<b>Changes in Net Assets</b>					<b>708,906</b>	<b>(57,282)</b>	<b>651,624</b>	<b>17,222</b>
<b>Net Assets - Beginning, as adjusted</b>					<b>3,359,585</b>	<b>2,046,421</b>	<b>5,406,006</b>	<b>(137,565)</b>
<b>Net Assets - Ending</b>					<b>\$ 4,068,491</b>	<b>\$ 1,989,139</b>	<b>\$ 6,057,630</b>	<b>\$(120,343)</b>

The accompanying notes are an integral part of the financial statements.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Governmental Funds Balance Sheet December 31, 2005

	General Fund	Community Center Fund	Grants Fund	Housing Grants Fund	Community Center Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 58,100	\$ 19,133	\$ 19,227	\$ 44,961	\$ 77	\$ 95,933	\$ 237,431
Receivables (net):							
Taxes	87,382	65,394				46,749	199,525
Accounts/Interest	5,435	8,377				21,810	35,622
Due from state gov't	45,952		22,810				68,762
Due from federal gov't			40,255	2,552	60,049		102,856
Due from other funds	5,010	1,025				309	6,344
Advances to other funds	12,700						12,700
<b>Total Assets</b>	<b>\$ 214,579</b>	<b>\$ 93,929</b>	<b>\$ 82,292</b>	<b>\$ 47,513</b>	<b>\$ 60,126</b>	<b>\$ 164,801</b>	<b>\$ 663,240</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 21,439	\$ 3,774	\$ 80,186	\$ 3,577	\$ 59,101	\$ 2,806	\$ 170,883
Accrued expenses	1,249	392					1,641
Due to other funds		110	2,106	2,482	1,025		5,723
Due to other gov'ts	32,465						32,465
Deferred revenues	89,137	66,941		41,454		46,749	244,281
<b>Total Liabilities</b>	<b>144,290</b>	<b>71,217</b>	<b>82,292</b>	<b>47,513</b>	<b>60,126</b>	<b>49,555</b>	<b>454,993</b>
<b>FUND BALANCES</b>							
Reserve for advance	12,700						12,700
Res. for hist./comm. proj.	2,697						2,697
Reserve for debt service						5,426	5,426
Unreserved	49,892	7,712					57,604
Unres.-nonmajor funds							
Special revenue funds						109,795	109,795
Debt service fund						25	25
Designated for CFR fees	5,000						5,000
Des. for equip acq.		15,000					15,000
<b>Total Fund Balance</b>	<b>70,289</b>	<b>22,712</b>				<b>115,246</b>	<b>208,247</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 214,579</b>	<b>\$ 93,929</b>	<b>\$ 82,292</b>	<b>\$ 47,513</b>	<b>\$ 60,126</b>	<b>\$ 164,801</b>	

### Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets  
are different because:

(Continued)

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Governmental Funds Balance Sheet December 31, 2005

<u>General Fund</u>	<u>Community Center Fund</u>	<u>Grants Fund</u>	<u>Housing Grants Fund</u>	<u>Community Center Capital Project Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Capital assets used in governmental activities are not financial resources and are not reported in the funds:						
Cost of capital assets						5,188,537
Accumulated depreciation						(936,075)
Taxes receivable not available to pay for current expenditures						199,514
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(638,951)
Accrued interest payable is not included as a liability in governmental activities						(3,692)
Bond related costs, net of amortization are capitalized in the government-wide financial statements						12,647
For debt refundings, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements						38,264
<b>Net Assets of Governmental Activities</b>						<u><u>\$ 4,068,491</u></u>

The accompanying notes are an integral part of the financial statements.

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**  
**Governmental Funds Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance**  
**Year Ended December 31, 2005**

	General Fund	Community Center Fund	Grants Fund	Housing Grants Fund	Community Center Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 99,820	\$ 62,492	\$	\$	\$	\$ 45,886	\$ 208,198
Licenses and permits	1,090						1,090
Federal aid			57,200	92,257	81,742		231,199
State aid	729,620		45,500	28,826			803,946
Charges for services	41,462					72,043	113,505
Interest and rents	24,314	19,264				1,821	45,399
Other	41,748	31,117		51,567		19,699	144,131
<b>Total Revenues</b>	<u>938,054</u>	<u>112,873</u>	<u>102,700</u>	<u>172,650</u>	<u>81,742</u>	<u>139,449</u>	<u>1,547,468</u>
<b>Expenditures</b>							
Legislative	21,112						21,112
General government	125,065	1,025		15,631		9,664	151,385
Public safety	81,754						81,754
Public works	84,739						84,739
Recreation	25,259						25,259
Community/Historical	13,297	36,821	3,500	141,149		6,171	200,938
Other	95,636						95,636
Capital outlay	517,017	28,309	128,232	15,870	114,706	34,521	838,655
Debt service	12,113					129,636	141,749
<b>Total Expenditures</b>	<u>975,992</u>	<u>66,155</u>	<u>131,732</u>	<u>172,650</u>	<u>114,706</u>	<u>179,992</u>	<u>1,641,227</u>
Excess of Rev. over (under) Expenditures	<u>(37,938)</u>	<u>46,718</u>	<u>(29,032)</u>		<u>(32,964)</u>	<u>(40,543)</u>	<u>(93,759)</u>
<b>Other Fin. Sources (Uses):</b>							
Operating transfers in	19,200		29,032		10,000	221	58,453
Operating transfers out	(26,022)	(20,221)				(3,010)	(49,253)
Loan proceeds	19,566				22,964		42,530
<b>Total</b>	<u>12,744</u>	<u>(20,221)</u>	<u>29,032</u>		<u>32,964</u>	<u>(2,789)</u>	<u>51,730</u>
<b>Net Change in Fund Bal.</b>	<u>(25,194)</u>	<u>26,497</u>				<u>(43,332)</u>	<u>(42,029)</u>
<b>Fund Balance – Beg.</b>	<u>95,483</u>	<u>(3,785)</u>				<u>158,578</u>	
<b>Fund Balance – End.</b>	<u>\$ 70,289</u>	<u>\$ 22,712</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 115,246</u>	

(Continued)

Reconciliation to the Statement of Activities:



**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**  
**Governmental Funds Statement of Revenue, Expenditures, and**  
**Changes in Fund Balance**  
**Year Ended December 31, 2005**

<u>General Fund</u>	<u>Community Center Fund</u>	<u>Grants Fund</u>	<u>Housing Grants Fund</u>	<u>Community Center Capital Project Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	838,656
Depreciation expense	(130,385)

Property tax revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	4,408
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Accrued interest is recorded in the statement of activities when incurred, it is not reported in governmental funds until paid	734
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Repayment of principal debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt liabilities)	115,497
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The government-wide financial statements present the unamortized amount of bond issuance cost as an asset net of amortization. The government-wide financial statement presents the unamortized deferred refunding amount net of long-term debt. This amount represents the current year amortization of these long-term debt related costs.	(5,444)
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Current year loan proceeds are other financing sources in the fund financial statements, but are shown as an increase in liabilities of the government-wide financial statements	(42,530)
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In the statement of activities, the loss on the sale of capital assets is recognized. The fund financial statements recognize only the proceeds from these assets:

Loss on sale of assets	(28,501)
Proceeds from sale of assets	(1,500)

<b>Changes in Net Assets of Governmental Activities</b>	<b>\$ 708,906</b>
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The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Proprietary Fund Statement of Net Assets  
December 31, 2005

	<u>Sewage Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$ 4,423
Receivables, net	<u>9,513</u>
Total Current Assets	<u>13,936</u>
Noncurrent Assets	
Restricted cash	9,175
Capital assets, net of accumulated depreciation	<u>2,102,878</u>
Total Noncurrent Assets	<u>2,112,053</u>
Total Assets	<u>2,125,989</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	938
Accrued liabilities	1,212
Current portion of noncurrent liabilities	<u>2,000</u>
Total Current Liabilities	<u>4,150</u>
Noncurrent Liabilities	
Advances to other funds	12,700
Bonds payable	<u>120,000</u>
Total Noncurrent Liabilities	<u>132,700</u>
Total Liabilities	<u>136,850</u>
<b>NET ASSETS</b>	
Restricted for debt service	7,963
Invested in capital assets, net of related debt	1,980,878
Unrestricted	<u>298</u>
Total Net Assets	<u>\$ 1,989,139</u>

The accompanying notes are an integral part of the financial statements.

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**

**Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets  
Year Ended December 31, 2005**

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	<u>Sewage Fund</u>
<b>Operating Revenues</b>	
Sewage fees	<u>\$ 29,448</u>
<b>Operating Expenses</b>	
Administration	1,471
Personal services	5,536
Utilities	2,917
Repairs and maintenance	14,717
Depreciation	<u>54,937</u>
Total Operating Expenses	<u>79,578</u>
Operating Income (Loss)	<u>(50,130)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest revenue	113
Interest expense	<u>(7,265)</u>
Total Nonoperating Revenue (Expense)	<u>(7,152)</u>
<b>Changes in Net Assets</b>	(57,282)
Net Assets, Beginning	<u>2,046,421</u>
Net Assets, Ending	<u><u>\$ 1,989,139</u></u>

The accompanying notes are an integral part of the financial statements.

CHARTER TOWNSHIP OF CALUMET, MICHIGAN

Proprietary Fund Statement of Cash Flows  
Year Ended December 31, 2005

	<u>Sewage Fund</u>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 29,611
Payments to suppliers/vendors	(18,540)
Payments to employees	<u>(5,536)</u>
Net Cash Provided by Operating Activities	5,535
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal and interest paid on capital debt	(9,284)
<b>Cash Flows from Investing Activities</b>	
Interest	<u>132</u>
Net Increase (Decrease) in Cash	(3,617)
Balance – Beginning of the Year	<u>17,215</u>
<b>Balance – End of the Year</b>	<u><u>\$ 13,598</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ (50,130)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	54,937
Change in Assets and Liabilities	
Receivables, net	163
Accounts payable	584
Accrued expenses	<u>(19)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 5,535</u></u>

The accompanying notes are an integral part of the financial statements

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**

**Fiduciary Fund Statement of Net Assets  
December 31, 2005**

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	Agency Fund Type (Property Tax Collection Fund)
<b>ASSETS</b>	
Cash	\$ 198,035 =====
<b>LIABILITIES</b>	
Due to other governmental units & taxpayers	\$ 198,035 =====

The accompanying notes are an integral part of the financial statements.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Notes to Financial Statements

December 31, 2005

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For business-type activities and enterprise funds, the Township has elected to apply FASB pronouncements issued after November 30, 1989. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

#### A. Reporting Entity

The Township was organized as a General Law Township on the 27<sup>th</sup> day of November, 1866, and has since been incorporated into a Charter Township, effective July 15, 1985. The Township covers an area of approximately 31 square miles and operates under an elected Board of Trustees consisting of seven members, which are a supervisor, clerk, treasurer and four trustees. The Township provides various services to many of its residents including law enforcement, fire protection, recreation and community enrichment.

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see the discussion below for a description).

#### Discretely Presented Component Unit

In accordance with provisions of GASB Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (primary government) and its component unit. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

The component unit column in the government-wide financial statements includes the financial data of the Downtown Development Authority (DDA) established in 1995 by the Township under provisions of Act 197, P.A. of 1975 as amended (MCL 125.1651). It is governed by a nine

member board appointed by the Township's governing board. In addition, the Authority's budget is subject to approval by the Township Board. The DDA adopted a development and tax increment financing plan in 1996 to provide tax increment revenues to pay the principal and interest on bonds issued by the Township for improvements within the DDA District. Additional financial details of the component unit can be obtained from the Township office.

#### Jointly Governed Organization

The Township, in conjunction with three other governmental entities, created the North Houghton County Water & Sewage Authority (NHCW&SA) to provide waste water collection, transmission and treatment. The NHCW&SA's board is comprised of seven members, three of which are from the Township. The Authority's board has control over its own budgeting and financing obligations. All of the financial operations of the Authority are recorded in the records of the Authority.

It is expected that the revenues generated from NHCW&SA system users will be adequate to operate the sewage system and pay back the related construction debt and interest of NHCW&SA. Separately issued financial statements are available from the Authority.

### **B. Basis of Presentation**

#### Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets certain criteria.

The following Major funds are reported by the Township:

### **Governmental Funds**

General Fund - The General Fund is the primary operating fund of the Township and is always classified as a major fund. It is used to account for all activities except those legally and administratively required to be accounted for in other funds.

Community Center Fund - This fund accounts for the operations of the Calumet Armory Community Center and derives its revenue from a 1 mill property tax assessment.

Grants Fund - This fund is used to account for grant projects the Township receives from federal, state or private organizations.

Housing Grants Fund - The fund accounts for community housing rehabilitation grant projects, which are typically administered by a third-party organization.

Community Center Capital Project Fund - This fund was established to account for the grant and loan improvement project for the Calumet Armory Community Center. The Township is currently in Phase I of the project, with Phase II expected to start during 2006.

### **Proprietary Funds**

Enterprise Fund - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement, similar to the private sector. This fund type includes the Wolverine-Kearsarge Sewage Fund.

The Township also reports the following fund type:

Agency Funds - This fund type is used to account for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. This fund type includes the Property Tax Collection Fund.



### **C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In accordance with Charter Township statutes, the Township’s 2005 ad valorem tax is levied and collectible on December 1, 2005; however the revenue from the current tax levy is recognized as revenue in the subsequent year in the governmental funds financial statements.

### **D. Financial Statement Amounts**

#### Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

#### Restricted Assets

Revenue bond covenants require certain amounts to be set aside for debt service principal and interest. Certain other amounts are restricted by third parties. These amounts have been functionally classified as restricted net assets in the Statement of Net Assets.

#### Capital Assets

Capital assets include land and improvements, buildings, furniture, equipment and vehicles and a sewage system and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful lives of 5 to 50 years.

#### Long-Term Debt, Deferred Debt Expense and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

#### Fund Equity

The governmental fund financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

#### Revenues

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on February 14<sup>th</sup> of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the Township totaled \$66,325,309 on which ad valorem taxes levied consisted of 1.2876 mills for Township operating purposes. Voted millage consisted of .9905 mills for the Calumet Armory Community Center for operations maintenance and repairs for the facility. In addition, voters approved 1.2736 mills on taxable valuations of \$41,112,348 for repair, maintenance and replacement of fire department vehicles and equipment.

#### Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Any residual balances outstanding between the governmental activities and the business-type activities or discretely presented component units are reported in the government-wide financial statements as "internal balances."

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from those estimated.

## **(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental funds, except the Grants, Housing Grants special revenue funds and capital project funds which adopt project-length budgets. The legal level of budgetary control adopted by the governing body is the activity level. Appropriations lapse at year end.

Excess of Expenditures over Appropriations in Budgeted Funds – During the year the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund		
Community/Historical	\$ 10,600	\$ 13,297
Other	95,600	95,636
Transfers to other funds		26,022
Community Center Fund		
Transfers to other funds		20,221
Water Fund		
General government	1,000	8,518

## **(3) DEPOSITS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual

funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash (checking and savings accounts)	\$ 237,431	\$ 4,423	\$ 198,035	\$ 439,889	\$ 17,421
Restricted cash		9,175		9,175	
Total	<u>\$ 237,431</u>	<u>\$ 13,598</u>	<u>\$ 198,035</u>	<u>\$ 449,064</u>	<u>\$ 17,421</u>

**Custodial Credit Risk – Deposits** – In the case of cash deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2005, \$341,390 of the Township's primary government bank balance of \$454,728 was exposed to custodial credit risk because it was uninsured and uncollateralized, while none of the component unit's bank balance of \$17,421 was exposed.

#### (4) CAPITAL ASSETS

Capital asset activity of the primary government for the current year is as follows:

	<u>Beginning Balance, as adjusted</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 1,244,295	\$ _____	\$ _____	\$ 1,244,295
Capital Assets Being Depreciated				
Land improvements	106,868	12,537		119,405
Buildings	1,476,336	689,439	(30,100)	2,135,675
Office furniture & equipment	39,312	2,877		42,189
Equipment & Vehicles	<u>1,513,170</u>	<u>133,803</u>		<u>1,646,973</u>
Subtotal	<u>3,135,686</u>	<u>838,656</u>	<u>(30,100)</u>	<u>3,944,242</u>
Accumulated depreciation for:				
Land improvements	(42,805)	(5,590)		(48,395)
Buildings	(289,217)	(41,113)		(330,330)
Office furniture & equipment	(31,166)	(2,003)		(33,169)
Equipment & vehicles	<u>(442,502)</u>	<u>(81,679)</u>		<u>(524,181)</u>

Subtotal	<u>(805,690)</u>	<u>(130,385)</u>	<u>          </u>	<u>(936,075)</u>
Net Capital Assets Being Depreciated	<u>2,329,996</u>	<u>708,271</u>	<u>(30,100)</u>	<u>3,008,167</u>
Governmental Activities				
Capital Assets, net of depreciation	<u>\$ 3,574,291</u>	<u>\$ 708,271</u>	<u>\$ (30,100)</u>	<u>\$ 4,252,462</u>
<b>Business- Type Activities</b>				
Capital Assets Not Being Depreciated				
Land	<u>\$ 19,860</u>	<u>\$           </u>	<u>\$           </u>	<u>\$ 19,860</u>
Capital Assets Being Depreciated				
Sewage System	<u>2,746,840</u>			<u>2,746,840</u>
Accumulated depreciation for Sewage System	<u>(608,885)</u>	<u>(54,937)</u>	<u>          </u>	<u>(663,822)</u>
Net Capital Assets Being Depreciated	<u>2,137,955</u>	<u>(54,937)</u>	<u>          </u>	<u>2,083,018</u>
Business-Type Activities				
Capital Assets, net of depreciation	<u>\$ 2,157,815</u>	<u>\$ (54,937)</u>	<u>\$           </u>	<u>\$ 2,102,878</u>

Depreciation expense is charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 12,859
Public Safety	46,660
Public Works	19,340
Recreation	24,855
Community/Historical	<u>26,671</u>
Total Governmental Activities	<u>\$ 130,385</u>
Business-Type Activities	
Sewage System	<u>\$ 54,937</u>

The beginning balances for buildings cost and accumulated depreciation have been adjusted to reflect the amounts of \$238,100 and \$80,954, respectively which are related to a water tower not previously recorded. The net amount of \$157,146 has also been shown as an adjustment to beginning net assets in the statement of activities.

Included in the governmental activities capital asset increases are acquisition costs for the "old" state police building for \$40,000 and the Calumet Armory Community Center for \$410,000, both of which were donated by the State of Michigan to the Township in 2005. The combined donated

value of \$450,000 is listed as an extraordinary item in the government-wide statement of activities.

**(5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances and transfers are as follows:

**Interfund Balances**

<u>Receivable</u>	<u>Payable</u>	
Due to/from Other Funds		
General Fund	Community Center Fund	\$ 110
	Grants Fund	2,106
	Housing Grants Fund	<u>2,482</u>
		4,698
	Component Unit	<u>312</u>
		5,010
Community Center Fund	Community Center Capital Project Fund	1,025
Fire Fund	Component Unit	<u>309</u>
		<u>\$ 6,344</u>
Advances to/from Other Funds		
General Fund	W-K Sewage Fund	<u>\$ 12,700</u>

**Interfund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	
General Fund	Community Center Fund	\$ 10,000
	Component Unit	<u>9,200</u>
		19,200
Grants Fund	General Fund	26,022
	Fire Fund	<u>3,010</u>
		<u>29,032</u>
Community Center Capital Projects Fund	Community Center Fund	<u>10,000</u>

Community Center Gen'l Obligation Debt Serv. Fund	Community Center Fund	221
		\$ 58,453

## (6) LOAN RECEIVABLE/PAYABLE

Pursuant to a grant agreement with the State of Michigan's Department of Commerce, the Township received a grant of \$350,000 which was loaned to a private company during 1989 resulting in a General Fund loan receivable. The agreement called for the Township to submit the \$350,000 back to the State contingent upon the payback of the loan by the private company resulting in a General Fund amount due to other governments. The company has not paid back this amount and the State has since sold the related property resulting in no further obligation by the Township. As a result, the receivable and offsetting liability have been written off the Township's books as of December 31, 2005.

## (7) LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds, contractual agreements, loans and installment purchase agreements are direct obligations and are backed by the full faith and credit of the Township. Revenue bonds typically involve a pledge of specific income derived from the acquired or constructed assets to pay for debt service.

Long-term debt activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
Loans						
Rural Dev.-Fire Truck	4.625 %	10-1-2010	\$ 85,853	\$ (40,000)	\$ 45,853	\$ 10,000
Installment Purchase Agreement						
Bank- Groomer	5.35	12-1-2011	58,433	(8,583)	49,850	8,583
Finance Co- Pickup Truck	9.8	12-25-2010		19,697		
				(413)	19,284	3,215
Bonds						
2004 Refunding Revenue Bonds	3.46	11-1-2015	567,500	(66,500)	501,000	46,500
Gen'l Oblig. Capital Impr. Bonds	4.125	08-01-2035		22,964	22,964	1,000
Subtotal			711,786	(72,835)	638,951	69,298
Less Deferred Refunding, net of Amortization			(42,355)	4,091	(38,264)	
Total Governmental Activities			\$ 669,431	\$ (68,744)	\$ 600,687	\$ 69,298
<b>Business-Type Activities</b>						
Revenue Bonds						
1991 Sewage Bonds	5.875 %	11-1-2031	\$ 124,000	\$ (2,000)	\$ 122,000	\$ 2,000

<b>Component Unit</b>							
Bonds							
1996 DDA Bonds	5.4	%	10-1-2011	\$ 115,000	\$ (15,000)	\$ 100,000	\$ 15,000
1997 DDA Bonds	4.95		4-1-2012	43,000	(4,000)	39,000	4,000
2000 DDA Bonds	6.25		4-1-2010	<u>37,000</u>	<u>(5,000)</u>	<u>32,000</u>	<u>6,000</u>
Total Component Unit				<u>\$ 195,000</u>	<u>\$ (24,000)</u>	<u>\$ 171,000</u>	<u>\$ 25,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 69,298	\$ 23,921	\$ 2,000	\$ 7,168	\$ 25,000	\$ 9,638
2007	69,627	21,379	2,000	7,050	26,000	8,195
2008	73,491	18,717	2,000	6,933	26,000	6,708
2009	68,891	15,778	3,000	6,756	28,000	5,145
2010	65,745	12,917	3,000	6,580	33,000	3,505
2011-2015	284,935	31,105	15,000	30,257	33,000	1,955
2016-2020	6,964	654	20,000	25,206		
2021-2025			28,000	17,860		
2026-2030			38,000	7,872		
2031			<u>9,000</u>	<u>118</u>		
Totals	<u>\$ 638,951</u>	<u>\$ 124,471</u>	<u>\$ 122,000</u>	<u>\$ 115,800</u>	<u>\$ 171,000</u>	<u>\$ 35,146</u>

## (8) EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township provides pension benefits to all eligible employees through a defined contribution plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. Under the plan an eligible employee is an elected official. Contributions made by an employee or the Township vest 100% immediately. An employee that leaves the employment of the Township is entitled to his or her contributions and the Township's contributions in the form of a retirement benefit. The Township contributes 8 % of annual compensation with a minimum of \$300. Eligible employees can voluntarily contribute from 1% up to 92% of their compensation.

The Township's total payroll during the current year was \$179,427. The current year contribution was calculated based on covered payroll of \$88,357, resulting in an employer contribution of \$7,764. There were no voluntary employee contributions for 2005.



#### **(9) RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance through the Michigan Township's Participating Plan for various claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

#### **(10) SUBSEQUENT EVENTS**

As of April 1, 2006 the Township received an \$85,000 Community Development Block Grant award on a \$125,000 Calumet Armory Community Center Phase II rehabilitation project. The project includes a local match of \$40,000.

The Township approved the transfer in 2006 of the Wolverine/Kearsarge Sewage System and related debt to the North Houghton County Water and Sewer Authority.

#### **(11) COMMITMENTS AND CONTINGENCIES**

The Township receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Township expects such amount, if any, to be immaterial.

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Budgetary Comparison Schedule General Fund Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance	\$ 95,483	\$ 95,483	\$ 95,483	\$
Resources (Inflows)				
Taxes	93,400	96,000	99,820	3,820
License & permits	1,200	1,200	1,090	(110)
State aid	283,000	713,500	729,620	16,120
Charges for services	50,000	58,025	41,462	(16,563)
Interest and rents	27,000	27,000	24,314	(2,686)
Other revenue	4,000	4,000	41,748	37,748
Loan proceeds			19,566	19,566
Transfers from other funds	<u>5,400</u>	<u>168,000</u>	<u>19,200</u>	<u>(148,800)</u>
Amounts Available for Appropriation	<u>559,483</u>	<u>1,163,208</u>	<u>1,072,303</u>	<u>(90,905)</u>
Charges to Appropriation (Outflows)				
Legislative	22,000	28,750	21,112	7,638
General Government	123,500	125,500	125,065	435
Public Safety	71,000	87,000	81,754	5,246
Public Works	81,000	96,000	84,739	11,261
Recreation	24,000	41,000	25,259	15,741
Community/Historical	7,500	10,600	13,297	(2,697)
Other	105,000	95,600	95,636	(36)
Capital outlay	18,000	571,160	517,017	54,143
Debt service	12,000	12,115	12,113	2
Transfers to other funds	<u>          </u>	<u>          </u>	<u>26,022</u>	<u>(26,022)</u>
Total Charges to Appropriations	<u>464,000</u>	<u>1,067,725</u>	<u>1,002,014</u>	<u>65,711</u>
Budgetary Fund Balance – December 31, 2005	<u>\$ 95,483</u>	<u>\$ 95,483</u>	<u>\$ 70,289</u>	<u>\$ (25,194)</u>

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Budgetary Comparison Schedule Community Center Fund Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
Beginning of Year Fund Balance (Deficit)	\$ (3,785)	\$ (3,785)	\$ (3,785)	\$
Resources (Inflows)				
Taxes	63,000	63,000	62,492	(508)
Interest and rents	2,500	32,500	19,264	(13,236)
Other revenue		28,500	31,117	2,617
Transfers from other funds		95,000		(95,000)
Amounts Available for Appropriation	<u>61,715</u>	<u>215,215</u>	<u>109,088</u>	<u>(106,127)</u>
Charges to Appropriation (Outflows)				
General Government	500	1,100	1,025	75
Community/Historical	61,215	40,000	36,821	3,179
Capital outlay		134,000	28,309	105,691
Debt service		196		196
Transfers to other funds			20,221	(20,221)
Total Charges to Appropriations	<u>61,715</u>	<u>175,296</u>	<u>86,376</u>	<u>88,920</u>
Budgetary Fund Balance – December 31, 2005	<u>\$</u>	<u>\$ 39,919</u>	<u>\$ 22,712</u>	<u>\$ (17,207)</u>

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Combining Balance Sheet Non-Major Governmental Funds December 31, 2005

	<u>Special Revenue Funds</u>			Comm. Center	Total
			Keweenaw	Gen'l Oblig.	Non-Major
	<u>Fire Fund</u>	<u>Water Fund</u>	<u>Center Fund</u>	<u>Debt Service Fund</u>	<u>Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 3,675	\$ 56,839	\$ 35,394	\$ 25	\$ 95,933
Receivables (net):					
Taxes	46,749				46,749
Accounts/Interest	11	21,780	19		21,810
Due from other funds	<u>309</u>				<u>309</u>
Total assets	<u>\$ 50,744</u>	<u>\$ 78,619</u>	<u>\$ 35,413</u>	<u>\$ 25</u>	<u>\$ 164,801</u>
<b>LIABILITIES</b>					
Accounts payable	\$	\$ 1,921	\$ 885	\$	\$ 2,806
Deferred revenue	<u>46,749</u>				<u>46,749</u>
Total liabilities	<u>46,749</u>	<u>1,921</u>	<u>885</u>		<u>49,555</u>
<b>FUND BALANCES</b>					
Reserved for debt service		5,426			5,426
Unreserved	<u>3,995</u>	<u>71,272</u>	<u>34,528</u>	<u>25</u>	<u>109,820</u>
Total fund balances	<u>3,995</u>	<u>76,698</u>	<u>34,528</u>	<u>25</u>	<u>115,246</u>
Total liabilities and fund balances	<u>\$ 50,744</u>	<u>\$ 78,619</u>	<u>\$ 35,413</u>	<u>\$ 25</u>	<u>\$ 164,801</u>

# CHARTER TOWNSHIP OF CALUMET, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non-Major Governmental Funds For the Year Ended December 31, 2005

	<u>Special Revenue Funds</u>			<u>Comm. Center Gen'l Oblig. Debt Service Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Fire Fund</u>	<u>Water Fund</u>	<u>Keweenaw Heritage Center Fund</u>		
<b>Revenues</b>					
Taxes	\$ 45,886	\$	\$	\$	\$ 45,886
Charges for services		72,043			72,043
Interest and rents	97	474	1,250		1,821
Other-Donations			19,699		19,699
Total revenues	<u>45,983</u>	<u>72,517</u>	<u>20,949</u>		<u>139,449</u>
<b>Expenditures</b>					
General government		8,518	1,146		9,664
Community/Historical			6,171		6,171
Capital outlay			34,521		34,521
Debt service	<u>43,277</u>	<u>86,163</u>		<u>196</u>	<u>129,636</u>
Total expenditures	<u>43,277</u>	<u>94,681</u>	<u>41,838</u>	<u>196</u>	<u>179,992</u>
Excess of revenues over (under) expenditures	<u>2,706</u>	<u>(22,164)</u>	<u>(20,889)</u>	<u>(196)</u>	<u>(40,543)</u>
Other financing sources (uses)					
Operating transfers in				221	221
Operating transfers out	<u>(3,010)</u>				<u>(3,010)</u>
Total other financing sources (uses)	<u>(3,010)</u>			<u>221</u>	<u>(2,789)</u>
<b>Net Change in Fund Balances</b>	<b>(304)</b>	<b>(22,164)</b>	<b>(20,889)</b>	<b>25</b>	<b>(43,332)</b>
Fund Balances – Beginning of Year	<u>4,299</u>	<u>98,862</u>	<u>55,417</u>		<u>158,578</u>
<b>Fund Balances - End of Year</b>	<u>\$ 3,995</u>	<u>\$ 76,698</u>	<u>\$ 34,528</u>	<u>\$ 25</u>	<u>\$ 115,246</u>

## CHARTER TOWNSHIP OF CALUMET, MICHIGAN

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board Members  
Charter Township of Calumet, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Calumet, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued my report thereon dated July 7, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Charter Township of Calumet, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Charter Township of Calumet, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and,

accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Calumet, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

I also noted certain additional matters that I have reported to management of the Charter Township of Calumet, Michigan, in a separate letter dated July 7, 2006.

This report is intended solely for the information and use of the board membership, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Paul R. Sturos, CPA  
Calumet, Michigan  
July 7, 2006

**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year ended December 31, 2005**

**Finding 04-1 Internal Control Design**

Condition: This finding was a reportable condition stating an absence of appropriate segregation of duties due to a limited number of available personnel.

Recommendation: The auditor recommended that, due to the unlikely event that the Township would hire additional personnel in order to obtain a proper segregation of duties, the Township Board should remain involved in the financial affairs of the Township to provide oversight and independent review functions.

Current Status: Additional personnel have not been hired. However, the Township Board has provided oversight and independent review functions.



**CHARTER TOWNSHIP OF CALUMET, MICHIGAN**

**SCHEDULE OF FINDINGS AND RESPONSES**

Year ended December 31, 2005

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**05-1 Internal Control Design**

**Condition:** An absence of appropriate segregation of duties due to a limited number of available personnel.

**Criteria:** If an adequate number of personnel were available, a proper segregation of duties would provide reasonable assurance that no one employee would have access to both physical assets and the related accounting records, or to all phases of transactions.

**Effect:** Because of the absence of an appropriate segregation of duties, the possibility still exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

**Recommendation:** It is not likely that the Township will hire additional personnel in order to obtain a proper segregation of duties, therefore the Township Board should remain involved in the financial affairs of the Township to provide oversight and independent review functions.

**Response:** We concur with the recommendation.

**PAUL R. STUROS**  
***Certified Public Accountant***  
56901 S. Sixth Street, Suite 8  
Calumet, MI 49913

Tel. (906) 337-4727 ~ Fax (906) 337-4725  
E-mail: [psturos@sbcglobal.net](mailto:psturos@sbcglobal.net)

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July 7, 2006

Board Members  
Charter Township of Calumet, Michigan 49913

In planning and performing my audit of the financial statements of the Charter Township of Calumet, Michigan, for the year ended December 31, 2005, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide my assurance on the internal control. I noted certain matters involving the internal control and its operation and other items that came to my attention in the normal conduct of my audit that are presented to assist in improving accounting procedures and controls.

**Internal Control**

1. The size of the Township's administrative staff precludes certain internal controls that would be preferred if it were large enough to provide optimum segregation of duties. This dictates that the Township Board remain involved in the financial affairs of the Township to provide oversight and independent review functions. As part of this process I recommend that the Board establish a conflict of interest policy.

**Compliance**

2. Actual activity level expenditures exceeded amounts authorized in the final amended budgets in the Township's General, Community Center and Water Funds and are noted as follows:

<u>Fund/Activity</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over Expenditures</u>
General Fund			
Community/historical	\$ 10,600	\$ 13,297	\$ (2,697)
Other	95,600	95,636	(36)
Transfers to other funds		26,022	(26,022)
Community Center Fund			
Transfers to other funds		20,221	(20,221)
Water Fund			
General government	1,000	8,518	(7,518)

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. It is recommended that the Township Board fully comply with all provisions of the Act.

This report is intended for the information and use of the Board membership and applicable Federal and State agencies. I will be pleased to discuss any of the comments with you at your convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paul R. Sturos".

Paul R. Sturos, CPA